

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
DTE ELECTRIC COMPANY to reconcile its)	
costs associated with its amended renewable energy)	Case No. U-18082
plan approved in Case No. U-17793.)	
_____)	

At the February 28, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On August 31, 2016, DTE Electric Company (DTE Electric) filed an application, with supporting testimony and exhibits, requesting authority to reconcile its renewable energy revenues and expenses for 2015.

A prehearing conference was held before Administrative Law Judge Dennis W. Mack on October 4, 2016. DTE Electric and the Commission Staff participated. On February 10, 2017, the parties submitted a stipulation and settlement agreement (settlement agreement) resolving all issues in this proceeding.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that DTE Electric's renewable energy reconciliation is reasonable, prudent, and in the public interest. The parties request that the Commission approve DTE Electric's proposed transfer price schedule, set forth in Attachment 1 to the settlement agreement, effective until the Commission

approves a new transfer price schedule. The parties further agree that DTE Electric is in compliance with the renewable energy standards set forth in 2008 PA 295 (Act 295), that neither the surcharge nor the regulatory liability balance should be adjusted at this time, and that the Commission should approve the transfer of 62,840 excess energy optimization credits to the company's renewable energy plan for Act 295 compliance.

The Commission finds the settlement agreement reasonable and prudent, and that it complies with Act 295. Accordingly, the settlement agreement should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. The transfer prices attached as Attachment 1 to the settlement agreement are approved for DTE Electric Company's future 2008 PA 295 renewable energy contracts and company-owned renewable energy systems until a new transfer price schedule is approved by the Commission.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscdockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of February 28, 2017.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company, for)
authority to reconcile its Renewable)
Energy Plan costs associated with the)
Amended Plan approved in Case No. U-17793)

Case No. U-18082
(Paperless e-file)

STIPULATION AND SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 431 (R 792.10431) of the Rules of Practice and Procedure before the Michigan Public Service Commission (“MPSC” or “Commission”), the undersigned parties agree as follows:

1. This Stipulation and Settlement Agreement (“Agreement” or “Settlement Agreement”) between DTE Electric Company (“DTE” or “Company” or “DTE Electric”) and the Michigan Public Service Commission Staff (“Staff”), (collectively, the “Parties”) is intended by the Parties as a final settlement and satisfaction of all issues before the Commission related to DTE’s Renewable Energy Plan (“REP”) Cost Reconciliation filed in Case No. U-18082.

2. On May 3, 2016, the Commission issued an Order that required the Company to file its REP Cost Reconciliation on or before August 31, 2016. MCL 460.1021; Section 49 (1) of Act 295 provides:

“...the commission shall commence an annual proceeding, to be known as a renewable cost reconciliation, for each electric provider whose rates are regulated by the commission. The renewable cost reconciliation proceeding shall be conducted as a contested case pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.” “(3), The commission shall reconcile the pertinent revenues recorded and the allowance for the nonvolumetric revenue recovery mechanism with the amounts actually expensed and projected according

to the electric provider's plan for compliance. The commission shall consider any issue regarding the reasonableness and prudence of expenses for which customers were charged in the relevant reconciliation period. In its order, the commission shall do all of the following:

(a) Make a determination of an electric provider's compliance with the renewable energy standards, subject to section 31.

(b) Adjust the revenue recovery mechanism for the incremental costs of compliance. The commission shall ensure that the retail rate impacts under this renewable cost reconciliation revenue recovery mechanism do not exceed the maximum retail rate impacts specified under section 45. The commission shall ensure that the recovery mechanism is projected to maintain a minimum balance of accumulated reserve so that a regulatory asset does not accrue.

(c) Establish the price per megawatt hour for renewable energy and advanced cleaner energy capacity and for renewable energy and advanced cleaner energy to be recovered through the power supply cost recovery clause under section 6j of 1939 PA 3, MCL 460.6j, as outlined in section 47(2)(b)(iv).

(d) Adjust, if needed, the minimum balance of accumulated reserve funds established under section 21.

(4) If an electric provider has recorded a regulatory liability in any given month during the 20-year period beginning when the electric provider's plan is approved by the commission, interest on the regulatory liability balance shall be accrued at the average short-term borrowing rate available to the electric provider during the appropriate period, and shall be used to fund incremental costs of compliance incurred in subsequent periods within the 20-year period beginning when the electric provider's plan is approved by the commission."

3. On August 31, 2016, DTE Electric filed an application, with supporting testimony and exhibits, in support of its REP Cost Reconciliation pursuant to the Commission's Order and the requirements of Act 295. Consistent with, and as required by, MCL 460.1049(1) and MCL 460.1051, DTE Electric filed concurrently with its Application the *DTE Electric Company Renewable Energy Plan Annual Report for 2015*. In its Application and testimony DTE Electric explained that consistent with 2008 PA 295, the Company's Renewable Cost Reconciliation filing describes: a) how the Company met the Renewable Energy Capacity Portfolio target in the

amounts of 300 megawatts (“MW”) by December 31, 2013 and 600 MW by December 31, 2015 (MCL 460.1027(1)(b)); b) how it met the Renewable Energy Credit Portfolio target (MCL 460.1027(3)-(8)); c) that the average Transfer Price for 2015 was approximately \$64.53/MWh which is applied to generation from Commission-approved Electric Provider-owned 2008 PA 295 Renewable Energy Systems and purchases of energy, capacity and RECs through 2008 PA 295 Renewable Energy Contracts; d) that the Company obtained no ACECs by burning coke oven gas in 2015; e) that all costs of PURPA/PA2 generation were recovered through Act 304 and general rates and thus generated RECs for the Company’s REP at zero cost; f) how the retail rate impacts under the renewable cost reconciliation revenue recovery mechanism did not exceed the maximum retail rate impacts specified under section 45 in 2015; g) its request that there be no modification of its non-volumetric revenue recovery mechanism a/k/a “Renewable Energy Plan Surcharge” resulting from this proceeding; h) and its request for certain regulatory authority and approvals, which includes but is not limited to, approval of the Company’s request that 62,840 Energy Optimization Credits be transferred at zero cost from the Company’s Energy Optimization Plan to, and used for compliance with, its Amended REP.

4. The Parties request that the Commission enter an order approving DTE Electric’s Renewable Cost Reconciliation for 2015 in its entirety as reasonable, prudent and in the public interest, including, but not limited to: (i) authorizing utilization of the Transfer Prices submitted by DTE in this proceeding and identified as Exhibit A-4, Schedule A1 (Attachment 1 to this Settlement) for DTE Electric 2008 PA 295 Renewable Energy Contracts and Company-owned Renewable Energy Systems that the Commission approves in the future, until a new transfer price schedule is approved by the Commission (and for Renewable Energy Contracts and Company-owned Renewable Energy Systems previously approved by the Commission under Act 295 for

DTE Electric, the approved transfer prices continue to remain in effect as approved by the Commission); (ii) determining that DTE Electric's Renewable Cost Reconciliation for 2015 and DTE Electric's 2008 PA 295 revenues collected and costs incurred in 2015 are reasonable and prudent and meet all relevant requirements under 2008 PA 295; (iii) consistent with MCL 460.1049 and the proposals and requests made by DTE Electric in its Application and in the Company's Direct Testimony and Exhibits in this proceeding, concluding that the pertinent revenues recorded and the allowance for the nonvolumetric Revenue Recovery Mechanism have been properly reconciled with the amounts actually expensed and projected according to DTE Electric's Commission-approved Amended REP; (iv) determining that DTE Electric is in compliance with the Renewable Energy Standards, subject to Section 31 (MCL 460.1031) of 2008 PA 295, (v) determining that the retail rate impacts under DTE Electric's Renewable Cost Reconciliation Revenue Recovery Mechanism do not exceed the maximum retail rate impacts specified under Section 45 (MCL 460.1045) of 2008 PA 295; (vi) determining that DTE Electric's Revenue Recovery Mechanism is projected to maintain a minimum balance of accumulated reserve so that a regulatory asset does not accrue; (vii) maintaining DTE Electric's existing Revenue Recovery Mechanism and surcharge amounts (as approved in MPSC Case No. U-17793) to ensure DTE Electric's recovery of its Incremental Cost of Compliance with the Renewable Energy Standards; (viii) approving the prices per MWh for renewable energy capacity and advanced cleaner energy capacity and for renewable energy and advanced cleaner energy to be recovered through DTE Electric's PSQR clause under MCL 460.6j; (ix) determining that it is not necessary or appropriate at this time to adjust DTE Electric's minimum balance of accumulated reserve funds established under section 21 (MCL 460.1021); (x) where DTE Electric has recorded a regulatory liability in any given month, approving DTE Electric's proposed treatment of interest

on the regulatory liability balance; (xi) determining that DTE Electric's actions with respect to its Amended REP were and are reasonable and prudent; (xii) determining that the Company's proposed Renewable Energy Plan surcharges (which are at zero) are just and reasonable; (xiii) maintaining existing rates and charges (those approved in MPSC Case No. U-17793) in the manner described in the Company's Application and the Company's Direct Testimony and Exhibits in this proceeding; (xiv) and granting DTE Electric regulatory authority and approvals as described and requested in the Direct Testimony and Exhibits of DTE Electric's witnesses, including but not limited to approval of the Company's request that 62,840 Energy Optimization Credits be transferred at zero cost from the Company's Energy Optimization Plan to, and used for compliance with its Amended REP, in accordance with the Company's Amended REP, MCL 460.1035(2), and the Commission's Order in Case No. U-16357.

5. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise between the Parties. All offers of settlement and discussions relating to this Settlement Agreement are considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the Parties to this settlement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided however, such references may be made to enforce or implement the terms of the Settlement Agreement and the order approving it. Neither this Settlement Agreement nor any Commission order approving it shall preclude any Party from taking any position with respect to DTE Electric's REP or any particular aspect of DTE Electric's REP in any pending or future Commission proceeding other than this proceeding.

6. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, and shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any Party.

7. This Settlement Agreement is reasonable and in the public interest, and will reduce the time and expense of the Commission, its Staff, and the Company.

8. The Parties agree to waive Section 81 of 1969 PA 306, MCL 24.281, as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

9. This Settlement Agreement may be executed in any number of counterparts, each considered an original, and all counterparts that are executed shall have the same effect as if they were the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be
duly executed by their respective duly authorized officers as of the date first written below.

DTE ELECTRIC COMPANY

By: Andrea Hayden Digitally signed by Andrea Hayden
DN: cn=Andrea Hayden, o=General Counsel -
Regulatory, ou=General Counsel - Regulatory,
email=andrea.hayden@dteenergy.com, c=US
Date: 2017.02.10 09:50:20 -05'00' Dated: February 10, 2017
Andrea E. Hayden (P71976)
Its Attorney
(313) 235-3813

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By: Spencer Sattler Digitally signed by Spencer Sattler
DN: cn=Spencer Sattler, o=Michigan Department
of Attorney General, ou=Public Service Division,
email=sattlers@michigan.gov, c=US
Date: 2017.02.09 12:21:52 -05'00' Dated: February 10, 2017
Spencer Sattler (P70524)
Assistant Attorney General
(517) 284-8140

Attachment 1

Michigan Public Service Commission
DTE Electric Company
2008 PA 295 2015 Renewable Cost Reconciliation
2016 MPSC Staff Transfer Prices

Case No.: U-18082
Exhibit: A-4
Schedule: A1
Witness: S. D. Burgdorf
Page: 1 of 1

Line No.	(a) Year	(b)	(c)	(d)
		MPSC Staff 2016 Transfer Price - Fixed Cost (\$/MWh)	MPSC Staff 2016 Transfer Price - Variable Cost (\$/MWh)	DTE Electric Proposed / 2016 MPSC Staff Transfer Price (\$/MWh)
1	2016	33.21	38.58	71.80
2	2017	34.01	40.61	74.62
3	2018	35.19	42.77	77.96
4	2019	36.15	44.49	80.64
5	2020	37.01	45.94	82.95
6	2021	37.77	47.97	85.75
7	2022	38.49	50.26	88.75
8	2023	39.07	50.87	89.94
9	2024	39.59	52.04	91.63
10	2025	40.07	53.41	93.48
11	2026	40.48	54.07	94.56
12	2027	40.92	55.63	96.55
13	2028	41.34	56.82	98.16
14	2029	41.77	58.11	99.88